

CORNING COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2014

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**Corning Community School District
Board Of Education and School District Officials
As of Year Ended June 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Kenya Haffner	President	Resigned June 10, 2013
Gary Goldsmith	Vice President	2013
Scott Shuey	Board Member	2013
Scott Atkin	Board Member	Resigned October 4, 2012
Lori Harvey	Board Member	2015
Gwen Larsen	Board Member	Appointed October 4, 2012
(After September 2013 Election)		
Scott Shuey	President	2017
Lori Harvey	Vice President	2015
Gwen Larsen	Board Member	2015
Howard Anderson	Board Member	2017
Wendi Boswell	Board Member	2017
School District Officials		
William Stone	Superintendent	2014
Jodi Lyddon	District Secretary/Treasurer	2014
Rick Engel	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the Corning Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corning Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

October 23, 2014

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$4,975,605 in fiscal 2013 to \$5,521,462 in fiscal 2014, while General Fund expenditures increased from \$5,415,814 in fiscal 2013 to \$6,168,428 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,049,210 in fiscal 2013 to \$427,383 in fiscal 2014, a 59.2 percent decrease from the prior year.
- The increase in General Fund revenues was mostly attributable to whole grade sharing tuition. The increase in expenditures was due to salary, health insurance, IPERS increases and whole grade sharing costs.
- Overall, the District's net position in the governmental activities decreased by \$365,498 and decreased by \$27,878 in the business-type activities.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

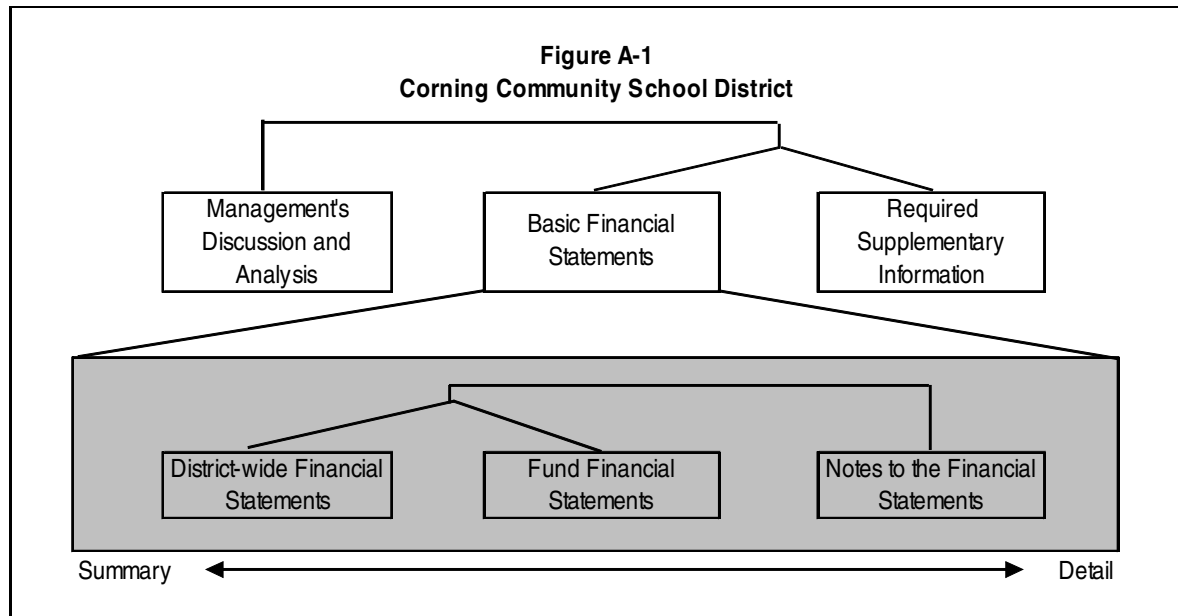


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: · food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	· Statement of Net Position · Statement of activities	· Balance sheet · Statement of revenues, expenditures, and changes in fund balances	· Statement of Net Position · Statement of revenues, expenses and changes in Net Position · Statement of cash flows	· Statement of fiduciary Net Position · Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 5,583	5,554	15	29	5,598	5,583	0.3%
Capital assets	9,769	9,757	44	52	9,813	9,809	0.0%
Total assets	15,352	15,311	59	81	15,411	15,392	0.1%
Long-term liabilities	7,375	7,466	28	22	7,403	7,488	-1.1%
Other liabilities and deferred inflows	3,850	3,352	-	-	3,850	3,352	14.9%
Total liabilities	11,225	10,818	28	22	11,253	10,840	3.8%
Net Position:							
Invested in capital assets, net of related debt	3,254	2,937	44	52	3,298	2,989	10.3%
Restricted	1,563	1,406	-	-	1,563	1,406	11.2%
Unrestricted	(690)	150	(13)	7	(703)	157	-547.8%
Total Net Position	\$ 4,127	4,493	31	59	4,158	4,552	-8.7%

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2014 compared to June 30, 2013.

**Figure A-4
Changes in Net Position
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 1,407	502	68	71	1,475	573	157.4%
Operating grants, contributions and restricted interest	796	848	148	149	944	997	-5.3%
General revenues:							
Property tax	2,736	2,611	-	-	2,736	2,611	4.8%
Statewide sales, service and use ta:	350	325	-	-	350	325	7.7%
Unrestricted state grants	1,609	1,678	-	-	1,609	1,678	-4.1%
Unrestricted investment earnings	1	1	-	-	1	1	0.0%
Other	110	29	-	-	110	29	279.3%
Total revenues	7,009	5,994	216	220	7,225	6,214	16.3%
Program expenses:							
Governmental activities:							
Instruction	4,802	4,074	-	-	4,802	4,074	17.9%
Support services	2,119	1,911	-	-	2,119	1,911	10.9%
Non-instructional programs	-	-	244	221	244	221	10.4%
Other expenses	454	609	-	-	454	609	-25.5%
Total expenses	7,375	6,594	244	221	7,619	6,815	11.8%
Change in Net Position	\$ (366)	(600)	(28)	(1)	(394)	(601)	(0)

Property tax and unrestricted state grants account for 62 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,009,367 and expenses were \$7,374,865.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$ 4,802	4,074	17.9%	2,909	2,904	0.2%
Support services	2,119	1,911	10.9%	1,990	1,907	4.4%
Non-instructional programs	-	-	-	-	-	-
Other expenses	454	609	-25.5%	273	433	-37.0%
Totals	\$ 7,375	6,594	11.8%	5,172	5,244	-1.4%

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

- The cost financed by users of the District's programs was \$1,406,997.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$796,055.
- The net cost of governmental activities was financed with \$2,735,879 in property tax, \$350,072 in local option sales and service tax, \$1,609,566 in state foundation aid, \$840 in interest income, and \$109,958 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$216,394 and expenses were \$244,272. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$1,768,688, below last year's ending fund balances of \$2,237,973. The primary reason for the decrease in combined fund balances in fiscal 2014 was due to expenditures for increases in salaries and benefits and final payouts for the high school renovation project.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,049,210 to \$427,383. The District's decreasing General Fund financial position is the product of many factors. The district increased in general fund expenditures due to increases in salaries and benefits.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$296,608 in fiscal 2013 to \$191,057 in fiscal 2014.
- The Statewide Sales, Services and Use Tax balance increased from \$429,089 in fiscal 2013 to \$652,021 in fiscal 2014.
- The Management Fund balance increased from \$300,602 in fiscal year 2013 to \$356,134 in fiscal 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$58,919 in fiscal 2013 to \$31,041 in fiscal 2014, representing a decrease of 47%.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 39-40.

Legal Budgetary Highlights

The District's total actual receipts were \$1,089,177 more than the total budgeted receipts, a variance of 17.8%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the District had invested \$9,812,858, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$368,660.

The original cost of the District's capital assets were \$13,696,245. Governmental funds account for \$13,532,614 with the remainder of \$163,631 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 194	194	-	-	194	194	0.0%
Construction in progress	-	-	-	-	-	-	-
Buildings	8,074	8,280	-	-	8,074	8,280	-2.5%
Improvements other than buildings	618	346	-	-	618	346	78.6%
Furniture and equipment	883	937	44	52	927	989	-6.3%
Totals	\$ 9,769	9,757	44	52	9,813	9,809	0.0%

Long-Term Debt

At June 30, 2014, the District had \$4,950,000 in general obligation bonds, \$1,585,000 in revenue bonds and \$193,795 for an early-retirement plan. This represents a decrease of approximately 1.2% percent from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 4,950	5,160	-4.1%
Revenue bonds	1,585	1,660	-
Revenue bonds discount	(20)	(21)	-
Early retirement	194	112	73.2%
Compensated absences	85	64	-12.3%
Net OPEB liability	581	491	-87.3%
Totals	\$ 7,375	7,466	-1.2%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- Increased health insurance cost and transportation costs have and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

Corning Community School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,052,752	13,402	2,066,154
Receivables:			
Property tax:			
Delinquent	38,483	-	38,483
Succeeding year	2,725,825	-	2,725,825
Income surtax	96,959	-	96,959
Accounts	15,302	425	15,727
Due from other governments	654,090	-	654,090
Inventories	-	1,925	1,925
Capital assets, net of accumulated depreciation	9,769,148	43,710	9,812,858
Total assets	15,352,559	59,462	15,412,021
Liabilities			
Accounts payable	483,299	249	483,548
Salaries and benefits payable	485,861	1,866	487,727
Advances from grantors	22,779	1,534	24,313
Accrued interest payable	35,231	-	35,231
Long-term liabilities:			
Portion due within one year:			
Compensated absences	85,500	4,275	89,775
General obligation bonds	215,000	-	215,000
Revenue bonds	100,000	-	100,000
Early retirement	93,795	-	93,795
Portion due after one year:			
Net OPEB liability	580,743	20,497	601,240
General obligation bonds	4,735,000	-	4,735,000
Revenue bonds	1,465,144	-	1,465,144
Early retirement	100,000	-	100,000
Total liabilities	8,402,352	28,421	8,430,773
Deferred Inflows of Resources			
Unavailable property tax revenue	2,725,825	-	2,725,825
Unavailable income surtax revenue	96,959	-	96,959
Total deferred inflows of resources	2,822,784	-	2,822,784
Net Position			
Net investment in capital assets	3,254,004	43,710	3,297,714
Restricted for:			
Categorical funding	257,310	-	257,310
Management levy purposes	356,134	-	356,134
Physical plant and equipment levy	191,057	-	191,057
Capital projects	501,577	-	501,577
Student activities	77,529	-	77,529
Debt service	179,777	-	179,777
Unrestricted	(689,965)	(12,669)	(702,634)
Total net position	\$ 4,127,423	31,041	4,158,464

See notes to financial statements.

Corning Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 3,122,311	860,264	447,233	(1,814,814)	-	(1,814,814)
Special	1,025,769	170,523	158,072	(697,174)	-	(697,174)
Other	653,483	247,112	9,026	(397,345)	-	(397,345)
	4,801,563	1,277,899	614,331	(2,909,333)	-	(2,909,333)
Support Service:						
Student	21,399	-	-	(21,399)	-	(21,399)
Instructional staff	318,588	-	-	(318,588)	-	(318,588)
Administration	714,464	-	-	(714,464)	-	(714,464)
Operating and maintenance of plant	583,251	-	-	(583,251)	-	(583,251)
Transportation	481,108	129,098	42	(351,968)	-	(351,968)
	2,118,810	129,098	42	(1,989,670)	-	(1,989,670)
Other expenditures:						
Facilities acquisition	-	-	-	-	-	-
Long-term debt interest	272,810	-	-	(272,810)	-	(272,810)
AEA flowthrough	181,682	-	181,682	-	-	-
	454,492	-	181,682	(272,810)	-	(272,810)
Total governmental activities	7,374,865	1,406,997	796,055	(5,171,813)	-	(5,171,813)
Business type activities:						
Non-instructional programs:						
Food service operations	244,272	67,854	148,522	-	(27,896)	(27,896)
	244,272	67,854	148,522	-	(27,896)	(27,896)
Total primary government	\$ 7,619,137	1,474,851	944,577	(5,171,813)	(27,896)	(5,199,709)

Corning Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 7,619,137	1,474,851	944,577	(5,171,813)	(27,896)	(5,199,709)
General Revenues:						
Property tax levied for:						
General purposes				2,113,924	-	2,113,924
Debt service				431,487	-	431,487
Capital outlay				190,468	-	190,468
Statewide sales, services and use tax				350,072	-	350,072
Unrestricted state grants				1,609,566	-	1,609,566
Unrestricted investment earnings				840	18	858
Other				23,786	-	23,786
Gain (loss) on disposal of assets				25,139	-	25,139
Contributions not restricted to specific programs				61,033	-	61,033
Total general revenues				4,806,315	18	4,806,333
Change in net position				(365,498)	(27,878)	(393,376)
Net position beginning of year				4,492,921	58,919	4,551,840
Net position end of year				\$ 4,127,423	31,041	4,158,464

See notes to financial statements.

Corning Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash and pooled investments	\$ 739,057	58,657	823,358	431,680	2,052,752
Receivables:					
Property tax:					
Delinquent	26,553	5,907	2,608	3,415	38,483
Succeeding year	1,942,573	526,880	196,372	60,000	2,725,825
Income surtax	96,959	-	-	-	96,959
Accounts	8,126	-	-	7,176	15,302
Due from other governments	632,299	-	21,791	-	654,090
Total assets	\$ 3,445,567	591,444	1,044,129	502,271	5,583,411
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 470,012	-	4,679	8,608	483,299
Salaries and benefits payable	485,861	-	-	-	485,861
Advances from grantors	22,779	-	-	-	22,779
Total liabilities	978,652	-	4,679	8,608	991,939
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,942,573	526,880	196,372	60,000	2,725,825
Income surtax	96,959	-	-	-	96,959
Total deferred inflows of resources	2,039,532	526,880	196,372	60,000	2,822,784
Fund balances:					
Restricted for:					
Categorical funding	257,310	-	-	-	257,310
Debt service	-	64,564	150,444	-	215,008
Management levy purposes	-	-	-	356,134	356,134
Student activities	-	-	-	77,529	77,529
School infrastructure	-	-	501,577	-	501,577
Physical plant and equipment	-	-	191,057	-	191,057
Unassigned	170,073	-	-	-	170,073
Total fund balances	427,383	64,564	843,078	433,663	1,768,688
Total liabilities, deferred inflows of resources and fund balances	\$ 3,445,567	591,444	1,044,129	502,271	5,583,411

See notes to financial statements.

Exhibit D

**Corning Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds (Exhibit C)	\$ 1,768,688
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,769,148
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(35,231)
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Long-term liabilities, including bonds payable, bond issuance costs, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

General obligations bonds payable	\$ (4,950,000)	
Revenue bonds payable	(1,585,000)	
Bond discount, net	19,856	
Early retirement	(193,795)	
Compensated absences	(85,500)	
Other postemployment benefits	(580,743)	(7,375,182)

Net position of governmental activities (Exhibit A)	\$ 4,127,423
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See notes to financial statements.

Corning Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 1,887,656	431,487	190,468	226,268	2,735,879
Tuition	910,222	-	-	-	910,222
Other	317,963	-	19,640	244,831	582,434
State sources	2,227,251	-	350,072	-	2,577,323
Federal sources	178,370	-	-	-	178,370
Total revenues	5,521,462	431,487	560,180	471,099	6,984,228
Expenditures:					
Current:					
Instruction:					
Regular	2,832,434	-	-	97,044	2,929,478
Special	985,407	-	-	-	985,407
Other	357,206	-	-	261,049	618,255
	4,175,047	-	-	358,093	4,533,140
Support services:					
Student	20,633	-	-	-	20,633
Instructional staff	193,192	-	95,676	-	288,868
Administration	664,281	-	-	14,467	678,748
Operation and maintenance of plant	519,740	-	-	31,214	550,954
Transportation	413,853	-	-	32,351	446,204
	1,811,699	-	95,676	78,032	1,985,407
Other expenditures:					
Facilities acquisition	-	-	220,554	-	220,554
Long-term debt:					
Principal	-	285,000	-	-	285,000
Interest and fiscal charges	-	272,869	-	-	272,869
AEA flowthrough	181,682	-	-	-	181,682
	181,682	557,869	220,554	-	960,105
Total expenditures	6,168,428	557,869	316,230	436,125	7,478,652
Excess (deficiency) of revenues over (under) expenditures	(646,966)	(126,382)	243,950	34,974	(494,424)
Other financing sources (uses):					
Proceeds from sale of assets	25,139	-	-	-	25,139
Operating transfers in	-	126,569	-	-	126,569
Operating transfers out	-	-	(126,569)	-	(126,569)
Total other financing sources (uses)	25,139	126,569	(126,569)	-	25,139
Change in fund balances	(621,827)	187	117,381	34,974	(469,285)
Fund balances beginning of year	1,049,210	64,377	725,697	398,689	2,237,973
Fund balances end of year	\$ 427,383	64,564	843,078	433,663	1,768,688

See notes to financial statements.

Corning Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statements of Activities
Year ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit E) \$ (469,285)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 372,299	
Depreciation expense	(360,515)	11,784

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Bond principal repaid	285,000	
Amortization of bond discount	(1,385)	283,615

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,444

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(21,375)	
Early retirement	(81,868)	
Other postemployment benefits	(89,813)	(193,056)

Change in net position of governmental activities (Exhibit B) \$ (365,498)

See notes to financial statements.

Exhibit G

**Corning Community School District
Statement of Net Position
Proprietary Fund
June 30, 2014**

	School Nutrition
Assets	
Cash and cash equivalents	\$ 13,402
Accounts receivable	425
Inventories	1,925
Capital assets, net of accumulated depreciation	43,710
Total assets	59,462
Liabilities	
Accounts Payable	249
Salaries and benefits payable	1,866
Advances from grantors	1,534
Compensated absences	4,275
Net OPEB liability	20,497
Total liabilities	28,421
Net Position	
Net investment in capital assets	43,710
Unrestricted	(12,669)
Total net position	\$ 31,041

See notes to financial statements.

Exhibit H

Corning Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 67,854
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	86,536
Benefits	41,992
Purchased services	744
Supplies	106,855
Depreciation	8,145
Total operating expenses	244,272
Operating loss	(176,418)
Non-operating revenues:	
State sources	2,189
Federal sources	146,333
Interest income	18
Total non-operating revenues	148,540
Change in net position	(27,878)
Net position beginning of year	58,919
Net position end of year	\$ 31,041

See notes to financial statements.

Exhibit I

Corning Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 67,429
Cash payments to employees for services	(123,492)
Cash payments to suppliers for goods or services	(88,575)
Net cash used by operating activities	(144,638)
Cash flows from non-capital financing activities:	
State grants received	2,189
Federal grants received	129,319
Net cash provided by non-capital financing activities	131,508
Cash flows from investing activities:	
Interest on investments	18
Net decrease in cash and cash equivalents	(13,112)
Cash and cash equivalents at beginning of year	26,514
Cash and cash equivalents at end of year	\$ 13,402
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (176,418)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,548
Depreciation	8,145
(Increase) in accounts receivable	(425)
Decrease in inventories	227
Increase in accounts payable	249
Increase in salaries and benefits payable	1,866
Increase in net OPEB liability	3,170
Net cash used by operating activities	\$ (144,638)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:	
Current assets:	
Cash and investments	\$ 13,402
Cash and cash equivalents at year end	\$ 13,402

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$18,548 of federal commodities.

See notes to financial statements.

Exhibit J

**Corning Community School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014**

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 14,526
Total assets	<u>14,526</u>
Liabilities	
Accounts payable	14,526
Total liabilities	<u>14,526</u>
Net position	
Unassigned	<u><u>\$ -</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/Net Position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following proprietary non-major fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District has the following fiduciary fund type:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years

Furniture and equipment

5-15 years

Advances from Grantors – Grant proceeds which have been received by the District will be spent in a succeeding fiscal year.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments as follows:

Okey Vernon National Bank Certificate of Deposit	\$	10,000
State Bank of Brooks Certificate of Deposit		10,000
Bankers Trust		
ISJIT Diversified Fund		150,472
Iowa Schools Joint Investment Trust:		
Diversified portfolio (amortized cost)		993,732
	\$	<u>1,164,204</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The negotiable certificates of deposit are stated at fair value.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 126,569</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance beginning of year, as restated	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,489	-	-	193,489
Total capital assets not being depreciated	193,489	-	-	193,489
Capital assets being depreciated:				
Buildings	10,625,108	-	-	10,625,108
Improvements other than buildings	830,679	308,748	(93,082)	1,046,345
Furniture and equipment	1,604,121	63,551	-	1,667,672
Total capital assets being depreciated	13,059,908	372,299	(93,082)	13,339,125
Less accumulated depreciation for:				
Buildings	2,344,888	205,811	-	2,550,699
Improvements other than buildings	484,452	36,753	(93,082)	428,123
Furniture and equipment	666,693	117,951	-	784,644
Total accumulated depreciation	3,496,033	360,515	(93,082)	3,763,466
Total capital assets being depreciated, net	9,563,875	11,784	-	9,575,659
Governmental activities capital assets, net	\$ 9,757,364	11,784	-	9,769,148
Business type activities:				
Furniture and equipment	\$ 219,164	-	(55,533)	163,631
Less accumulated depreciation	167,309	8,145	(55,533)	119,921
Business type activities capital assets, net	\$ 51,855	(8,145)	-	43,710

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 188,418
Special		17,116
Other		23,077
Support services:		
Student		766
Instructional staff		26,550
Administration		27,791
Operation and maintenance		42,949
Transportation		33,848
Total depreciation expense - governmental activities		\$ 360,515
Business type activities:		
Food service operations		\$ 8,145

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,160,000	-	210,000	4,950,000	215,000
Revenue bonds	1,660,000	-	75,000	1,585,000	100,000
Revenue bonds discount	(21,241)	-	(1,385)	(19,856)	-
Early retirement	111,927	150,000	68,132	193,795	93,795
Compensated absences	64,125	85,500	64,125	85,500	85,500
Net OPEB liability	490,930	89,813	-	580,743	-
Total	\$ 7,465,741	325,313	415,872	7,375,182	494,295
Business type activities:					
Compensated absences	\$ 4,275	4,275	4,275	4,275	4,275
Net OPEB liability	17,327	3,170	-	20,497	-
	\$ 21,602	7,445	4,275	24,772	4,275

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.125%	215,000	211,388	426,388
2016	4.125%	225,000	202,519	427,519
2017	4.125%	240,000	193,237	433,237
2018	4.125%	250,000	183,338	433,338
2019	4.125%	260,000	173,025	433,025
2020	4.125%	270,000	162,300	432,300
2021	4.125%	285,000	151,162	436,162
2022	4.125%	295,000	139,406	434,406
2023	4.125%	310,000	127,238	437,238
2024	4.250%	325,000	114,450	439,450
2025	4.250%	340,000	100,637	440,637
2026	4.250%	355,000	86,188	441,188
2027	4.500%	370,000	71,100	441,100
2028	4.500%	385,000	54,450	439,450
2029	4.500%	405,000	37,125	442,125
2030	4.500%	420,000	18,900	438,900
Total		\$ 4,950,000	2,026,463	6,976,463

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.500%	100,000	50,444	150,444
2016	1.750%	100,000	48,694	148,694
2017	2.000%	100,000	46,694	146,694
2018	2.200%	100,000	44,494	144,494
2019	2.400%	100,000	42,094	142,094
2020	2.600%	100,000	39,494	139,494
2021	2.800%	100,000	36,694	136,694
2022	3.000%	100,000	33,694	133,694
2023	3.200%	100,000	30,494	130,494
2024	3.400%	105,000	27,094	132,094
2025	3.600%	110,000	23,314	133,314
2026	3.800%	110,000	19,133	129,133
2027	4.000%	115,000	14,733	129,733
2028	4.050%	120,000	10,075	130,075
2029	4.100%	125,000	5,156	130,156
Total		\$ 1,585,000	472,301	2,057,301

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,710,000 of bonds issued in November 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,057,301. For the current year, \$126,569 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$350,072.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- a) \$150,444 of the proceeds from the issuance of the revenue bonds shall be deposited to a revenue account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be distributed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking accounts may be transferred to the project account to be used for any lawful purpose.

The District did comply with all revenue bond provisions during the year ended June 30, 2014. The required reserve account was established by the District.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2014, totaled \$68,132.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012, were \$294,906, \$272,246, and \$256,974, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	194,342
Interest on net OPEB obligation		12,706
Adjustment to annual required contribution		(51,350)
Annual OPEB cost		<u>155,698</u>
Contributions made		<u>(62,715)</u>
Increase in net OPEB obligation		92,983
Net OPEB obligation beginning of year		<u>508,257</u>
Net OPEB obligation end of year	\$	<u><u>601,240</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$62,715 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 167,860	22.00%	\$ 131,006
June 30, 2011	175,377	22.69%	266,592
June 30, 2012	187,593	20.09%	416,494
June 30, 2013	154,815	40.73%	508,257
June 30, 2014	155,698	40.23%	601,240

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$1,031,706, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,031,706. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,300,000, and the ratio of the UAAL to covered payroll was 31.3%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$181,682 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Whole Grade Sharing Agreement

Effective July 1, 2013, the District entered into a whole grade sharing agreement with Villisca Community School district. The agreement allows for both Districts to maintain separate Pre-K through 5th grade programs. Villisca Community School District will serve students of both Districts in grades 6-8. Corning Community School District will serve students of both Districts in grades 9-12. This agreement shall continue for five years unless earlier terminated by mutual agreement of both Districts. It will continue thereafter for additional one year terms unless either District delivers written notice to terminate eighteen months in advance.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Corning Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 4,228,535	67,872	4,296,407	3,583,909	712,498
State sources	2,577,323	2,189	2,579,512	2,222,536	356,976
Federal sources	178,370	146,333	324,703	305,000	19,703
Total revenues	6,984,228	216,394	7,200,622	6,111,445	1,089,177
Expenditures:					
Instruction	4,533,140	-	4,533,140	4,745,820	212,680
Support services	1,985,407	-	1,985,407	2,257,500	272,093
Non-instructional programs	-	244,272	244,272	255,328	11,056
Other expenditures	960,105	-	960,105	1,893,356	933,251
Total expenditures	7,478,652	244,272	7,722,924	9,152,004	1,429,080
Excess (deficiency) of revenues over (under) expenditures	(494,424)	(27,878)	(522,302)	(3,040,559)	2,518,257
Other financing sources, net	25,139	-	25,139	-	25,139
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(469,285)	(27,878)	(497,163)	(3,040,559)	2,543,396
Balances beginning of year	2,237,973	58,919	2,296,892	3,040,559	(743,667)
Balances end of year	\$ 1,768,688	31,041	1,799,729	-	1,799,729

See accompanying independent auditor's report.

(1) Basis of Presentation

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the expenditures did not exceed the amounts budgeted. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$181,682 for the year ended June 30, 2014.

Corning Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	1,893,146	1,893,146	0.0%	\$ 3,100,000	61.1%
2011	July 1, 2009	-	1,984,148	1,984,148	0.0%	3,100,000	64.0%
2012	July 1, 2009	-	1,952,466	1,952,466	0.0%	3,100,000	63.0%
2013	July 1, 2012	-	1,102,697	1,102,697	0.0%	3,200,000	34.5%
2014	July 1, 2012	-	1,031,706	1,031,706	0.0%	3,300,000	31.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Corning Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 352,719	78,961	431,680
Receivables:			
Property tax:			
Delinquent	3,415	-	3,415
Succeeding year	60,000	-	60,000
Accounts	-	7,176	7,176
Total assets	\$ 416,134	86,137	502,271
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	8,608	8,608
Total liabilities	-	8,608	8,608
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	60,000	-	60,000
Total deferred inflows of resources	60,000	-	60,000
Fund balances:			
Restricted for:			
Management levy purposes	356,134	-	356,134
Student activities	-	77,529	77,529
Total fund balances	356,134	77,529	433,663
Total liabilities, deferred inflows of resources and fund balances	\$ 416,134	86,137	502,271

See accompanying independent auditor's report.

Corning Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 226,268	-	226,268
Other	4,340	240,491	244,831
Total revenues	230,608	240,491	471,099
Expenditures:			
Current:			
Instruction:			
Regular	97,044	-	97,044
Other	-	261,049	261,049
Support Services:			
Administration	14,467	-	14,467
Operation and maintenance of plant	31,214	-	31,214
Transportation	32,351	-	32,351
Total expenditures	175,076	261,049	436,125
Excess (deficiency) of revenues over (under) expenditures	55,532	(20,558)	34,974
Fund balances beginning of year	300,602	98,087	398,689
Fund balances end of year	\$ 356,134	77,529	433,663

See accompanying independent auditor's report.

Schedule 3

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 3,335	148	-	(2,470)	1,013
High School Drama	6,050	796	435	(100)	6,311
Musical/Madrigal	2,003	2,480	4,524	100	59
Cross Country	459	1,031	1,258	209	441
Tennis	1,384	-	268	179	1,295
Golf	355	1,030	1,351	419	453
Dance Team	-	6,554	5,698	209	1,065
Boys Basketball	60	986	802	178	422
Football	115	13,858	10,871	(1,581)	1,521
Baseball	665	545	894	387	703
Boys Track	980	-	122	597	1,455
Wrestling	1,305	4,410	5,050	-	665
Girls Basketball	3,703	5,535	4,016	(1,821)	3,401
Volleyball	1,966	2,942	4,210	209	907
Cheerleaders	2,822	2,682	2,145	(1,686)	1,673
Softball	250	-	101	388	537
Girls Track	831	2,354	2,267	-	918
Athletics-General	6,838	75,405	96,302	14,060	1
FBLA	2,084	28,005	30,422	1,100	767
K-6 Book Fair	2,507	5,184	5,933	-	1,758
FFA	8,251	19,016	18,286	314	9,295
FCCLA	1,040	5,937	6,278	-	699
K-12 Special Needs	38	-	-	-	38
Foreign Language Club	373	-	-	-	373
Concessions	28	21,594	11,890	(9,490)	242
Senior Class	1,533	414	417	1,116	2,646
Junior Class	23	6,485	7,862	1,753	399
Sophomore Class	-	423	25	(398)	-
Student Council	662	1,132	1,100	-	694
Touch	379	-	-	-	379
Y-Teens	2,249	4,066	3,283	-	3,032
Yearbook	7,021	6,932	9,543	1,000	5,410
Elementary Yearbook	385	1,002	1,215	-	172
Preschool Fundraiser	3,095	-	-	-	3,095
School Pictures	1,677	312	-	-	1,989
High School Pop Fund	724	3,005	2,315	-	1,414
K-6 Special Projects	11,274	318	6,123	-	5,469
PLTW - Robotics	-	4,287	4,377	388	298
K-6 Student Council	412	-	-	-	412

Schedule 3

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Friends Club	4	-	-	-	4
Red Raider Jean Days	355	1,020	1,280	-	95
FCA	808	-	-	-	808
K-6 Pop	263	95	312	-	46
High School Horticulture	5,952	-	-	-	5,952
K-6 Box Top	2,580	1,632	1,385	-	2,827
3rd Grade Landscape	1,796	-	-	-	1,796
John Harris Tourney	9,453	8,876	8,689	(5,060)	4,580
Total	\$ 98,087	240,491	261,049	-	77,529

See accompanying independent auditor's report.

Corning Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 630,230	193,128	823,358
Receivables:			
Property tax:			
Delinquent	-	2,608	2,608
Succeeding year	-	196,372	196,372
Intergovernmental	21,791	-	21,791
Total assets	\$ 652,021	392,108	1,044,129
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	4,679	4,679
Total liabilities	-	4,679	4,679
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	196,372	196,372
Total deferred inflows of resources	-	196,372	196,372
Fund balances:			
Restricted for:			
Debt service	150,444	-	150,444
School infrastructure	501,577	-	501,577
Physical plant and equipment	-	191,057	191,057
Total fund balances	652,021	191,057	843,078
Total liabilities, deferred inflows of resources and fund balances	\$ 652,021	392,108	1,044,129

See accompanying independent auditor's report.

Corning Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	190,468	190,468
Other	179	19,461	19,640
	350,072	-	350,072
Total revenues	350,251	209,929	560,180
Expenditures:			
Support Services:			
Instructional staff	-	95,676	95,676
Other expenditures			
Facilities acquisition	750	219,804	220,554
Total expenditures	750	315,480	316,230
Excess (deficiency) of revenues over (under) expenditures	349,501	(105,551)	243,950
Other financing sources (uses):			
Operating transfers in (out)	(126,569)	-	(126,569)
Total other financing sources (uses)	(126,569)	-	(126,569)
Change in fund balances	222,932	(105,551)	117,381
Fund balances beginning of year	429,089	296,608	725,697
Fund balances end of year	\$ 652,021	191,057	843,078

See accompanying independent auditor's report.

Schedule 6

Corning Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 11,063	51,362	47,899	14,526
Total assets	\$ 11,063	51,362	47,899	14,526
Liabilities				
Accounts payable	\$ 11,063	51,362	47,899	14,526
Total liabilities	\$ 11,063	51,362	47,899	14,526

See accompanying independent auditor's report.

Corning Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,735,879	2,936,479	2,835,435	2,654,525	2,415,233	2,622,502	2,406,437	2,402,720	2,438,779	2,096,295
Tuition	910,222	296,395	264,176	275,993	240,356	256,371	285,683	296,029	253,543	260,314
Other	582,434	321,588	355,929	336,638	392,044	256,827	733,069	459,644	419,668	264,776
State sources	2,577,323	2,318,502	2,550,060	2,528,419	2,303,647	2,739,632	2,582,283	2,440,835	2,429,982	2,532,028
Federal sources	178,370	208,821	182,624	346,438	551,941	256,732	215,652	253,374	327,928	209,707
Total	\$ 6,984,228	6,081,785	6,188,224	6,142,013	5,903,221	6,132,064	6,223,124	5,852,602	5,869,900	5,363,120
Expenditures:										
Instruction:										
Regular instruction	\$ 2,929,478	2,385,365	2,424,219	2,293,410	2,500,548	2,371,763	2,237,426	2,173,171	2,070,237	1,606,933
Special instruction	985,407	765,166	787,879	739,414	694,027	837,286	780,247	726,264	814,089	639,566
Other instruction	618,255	576,420	515,502	509,642	556,040	525,077	558,745	558,792	360,117	743,048
Support services:										
Student services	20,633	5,780	7,158	6,649	12,425	30,383	31,373	35,368	69,169	141,540
Instructional staff services	288,868	278,570	282,785	248,886	249,730	236,686	255,243	224,743	178,175	114,545
Administration services	678,748	649,796	631,218	636,018	580,258	564,829	621,934	613,744	541,244	513,085
Operation and maintenance of plant services	550,954	545,411	525,136	487,586	501,729	514,143	451,615	379,297	434,030	343,602
Transportation services	446,204	399,571	328,564	320,957	232,787	805,986	500,054	274,681	327,577	263,725
Non-instructional programs	-	-	233	3,283	3,400	5,042	6,567	8,121	267	6,947
Other expenditures:										
Facilities acquisition	220,554	309,437	1,815,463	5,126,947	879,483	75,599	167,595	212,590	263,452	230,877
Long-term debt:										
Principal	285,000	250,000	190,000	180,000	215,000	205,000	195,000	185,000	175,000	165,000
Interest and other charges	272,869	280,494	283,981	283,708	11,813	21,948	31,990	41,701	50,890	59,553
AEA flowthrough	181,682	175,744	177,596	205,554	204,436	190,542	181,827	178,772	173,627	175,232
Total	\$ 7,478,652	6,621,754	7,969,734	11,042,054	6,641,676	6,384,284	6,019,616	5,612,244	5,457,874	5,003,653

See notes to financial statements.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Corning Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corning Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Corning Community School District's Responses to Findings

Corning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Corning Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

October 23, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters noted.

Part II: Other Findings Related to Required Statutory Reporting

1. Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
7. Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.

 Recommendation: The certified enrollment data should be corrected.

 Response: We will attempt to correct certified enrollment errors in the future.

 Conclusion: Response accepted.
8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

Corning Community School District
Schedule of Findings
Year ended June 30, 2014

10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	429,089
Revenues/transfers in:			
Sales tax revenues	\$	350,072	
Other local revenues		179	350,251
			<hr/> 779,340
Expenditures/transfers out:			
School infrastructure construction		750	
Transfers to other funds:			
Debt service funds		126,569	127,319
			<hr/>
Ending balance		\$	<u><u>652,021</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.